

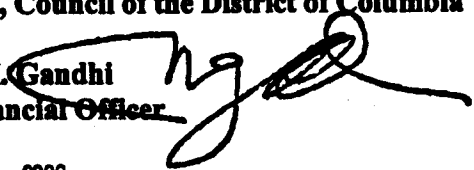
**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi   
Chief Financial Officer

**DATE:** SEP 14 2006

**SUBJECT:** Fiscal Impact Statement: "Compensation Collective Bargaining Agreement Between the District of Columbia Government and Compensation Units 1 and 2 (Union Government Service Employees) Compensation System Changes Approval Resolution of 2006"

**REFERENCE:** Draft Resolution to be Introduced – No Number Available

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**Conclusion**

Funds are sufficient in the FY 2006 budget and the FY 2007 through FY 2010 budget and financial plan as agreed to by the Mayor and the Council of the District of Columbia (Council) to implement the provisions of the Compensation Units 1 and 2 Collective Bargaining Agreement. No additional resources will be required.

The fiscal impact of a proposed enhanced retirement program in the Compensation Units 1 and 2 Collective Bargaining Agreement cannot be determined at this time. The District's Chief Financial Officer will need the report proposing this program in order to begin the analysis of its fiscal requirements.

**Background**

The proposed legislation would approve a 3.0 percent salary increase recommended by the District's Office of Labor Relations and Collective Bargaining and the District Office of Personnel. The increase would affect approximately 8,679 employees in the District government with an annual aggregate salary of approximately \$397.6 million through a collective bargaining agreement. The increase is conditioned on the criteria that employees in Compensation Units 1 and 2 are active on the date of the implementation of the proposed resolution. The terms of the agreement are:

1. A 3.00 percent increase in base salary for FY 2007 effective the first complete pay period after October 1, 2006;
2. A 3.25 percent increase in base salary for FY 2008 effective the first complete pay period after October 1, 2007;
3. A 4.00 percent increase in base salary for FY 2009 effective the first complete pay period after October 1, 2008; and
4. A 4.00 percent increase in base salary for FY 2010 effective the first complete pay period after October 1, 2009.

In addition:

5. The Compensation and Classification Reform Task Force will recommend an appropriate amount of not less than \$300.00 but no greater than \$500.00 as a bonus to each bargaining unit employee on the payroll as of April 11, 2006 and employed as of September 30, 2006. This provision has the condition that the amount to be issued as a bonus will be based on available funds in the Compensation and Classification Reform Task Force budget minus outstanding obligations from the FY 2006 Compensation and Classification Reform Task Force projects.

Other material benefits include:

6. A subsidized transit pass for personal use of not less than \$25.00 per month for employees who purchase and use such passes to commute to and from work;
7. Beginning October 1, 2007 the District is to invest 0.25 percent of the aggregate of Compensation Units 1 and 2 salaries for the purpose of promoting affordable housing initiatives;
8. Beginning October 1, 2006 the District is to contribute \$5.00 per month for each of Compensation Units 1 and 2 employees for pre-paid legal services; and
9. Beginning October 1, 2006 the District is to set aside 0.75 percent of each of Compensation Units 1 and 2 employees for classification and compensation reform.

The Compensation Collective Bargaining Agreement also requires the District to continue the Defined Contribution Pension Plan which requires that eligible employees hired after October 1, 1987 will receive from the District a contribution of an amount not less than 5 percent of their base salary into the account.<sup>1</sup> A Detention Officer will receive an additional 0.5 percent increment.

The Compensation Collective Bargaining Agreement also establishes the Joint Labor Management Technical Advisory Pension Reform Committee (JLMTAPRC). The purpose of the Committee is

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<sup>1</sup> The implementation and account are described and defined in D.C. Official Code Title 1 § 626.09 *et Sequitor*.

to propose an enhanced retirement program effective October 1, 2008 for the eligible employees previously described. The Compensation Collective Bargaining Agreement requires the enhanced program to consist of a deferred compensation component and a defined benefit component. The Compensation Collective Bargaining Agreement describes the JLMTAPRC committee members and their duties. The JLMTAPRC is to submit a report to the City Administrator within 120 days of the effective date of the Compensation Collective Bargaining Agreement.

### **Financial Plan Impact**

Funds are sufficient in the FY 2006 budget and the FY 2007 through FY 2010 budget and financial plan as agreed to by the Mayor and the Council. The table in Figure 1 presents the local<sup>2</sup> personnel services expenditures<sup>3</sup> associated with implementing the provisions of the collective bargaining agreement.<sup>4</sup>

*Figure 1.*

Estimated Local Expenditure for Compensation Units 1 and 2					
(in millions)					
FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	5 -Year Total
\$1.05	\$12.09	\$25.14	\$39.17	\$53.87	\$131.32

Fringe benefits are estimated at 15 percent of base pay in FY 2006 and FY 2007, and 18 percent in FY 2008 through FY 2010. Metro pass usage has been estimated at 50 percent of the collective bargaining unit employees and an average of \$25 per month for those who are estimated to use them.

The fiscal effects of an enhanced retirement program to be developed by the JLMTAPRC cannot be determined at this time. The District's CFO will require the findings of the Committee in order to project the fiscal impact on the District's budget and financial plan. It would be noted that because of the size of the membership of Collective Bargaining Units 1 and 2 and the projected aggregate of their annual salary, the Committee's findings have the potential to greatly impact the local consensus budget and financial plan.

<sup>2</sup> Local funds are estimated to be 70 percent of gross funds. Local funds also take into consideration intra-District transfers.

<sup>3</sup> Figures include salary and benefits.

<sup>4</sup> The D.C. Retirement Board determines local funding requirements periodically through an actuarial study. Adjustments are a funding requirement to the third subsequent fiscal year following the proposed resolutions full implementation in order to maintain a pension account's full funding status.